

## SHOP Questions and Answers

- Q If a hog operation marketed hogs in December but deferred payment for tax reasons until after 1999, is this hog operation eligible for SHOP?
- A **Yes, as long as the hog operation did not market the hogs under a fixed price or cost plus contract.**
- Q If a hog operation markets hogs with a deferred pricing contract, is this eligible?
- A **Yes, as long as there is no fixed-price or cost-plus provision involved.**
- Q What is a fixed price or cost plus contract?
- A **A cost plus contract means an agreement between a hog producer and a purchaser which bases payment to the hog operation on their estimated cost of production plus a profit margin.**
- A fixed price contract means an agreement between a hog operation and a purchaser which bases payment at a negotiated fixed price and includes contracts that may specify duration and minimum and/or maximum number of hogs to be delivered during the contract period.**
- Negotiated cash sales or contracts that base prices on the market or a formula price are not considered as a fixed cost or cost plus contract.**
- Q If a hog operation slaughters hogs for its own use, are the hogs slaughtered for their own use eligible for SHOP?
- A **No. The hogs must have been marketed (or sold) from July 1, 1998 through December 31, 1998. Slaughter hogs for personal use are not considered marketed, and will not be included in the count of hogs marketed or eligible for payment. Also, hogs that are slaughtered and returned to the hog operation for sale of the meat are not considered immediately sold for slaughter.**
- Q Are boars, sows, and gilts sold for breeding purposes eligible for SHOP?
- A **No. The hogs must have been marketed commercially for slaughter as stated in the definition for slaughter hogs.**
- Q If not, do they count against the 999 head limit?
- A **No.**

Q If a hog operation sold hogs to a neighbor for the neighbors own use for slaughter, is the hog operation eligible for SHOP?

A **Yes, as long as a cash sale was negotiated.**

Q Are wild pigs captured (feral) eligible for this program?

A **Yes, as long as the feral hogs are marketed from July 1, 1998 through December 31, 1998, the producer is in business of producing and marketing agricultural products on February 1, 1999, and the hogs meet the definition of feeder pig or slaughter hog.**

Q If a partnership is made up of 4 individuals, can 4 individuals apply for SHOP on 4 applications or is SHOP limited to the partnership with one application?

A **SHOP is limited to the partnership because the partnership is considered the hog operation which marketed the hogs. Therefore, only one SHOP application is completed for the partnership only.**

Q Does this mean that the partnership is limited to \$2,500 or are each person in the partnership limited to \$2,500?

A **The partnership is limited to \$2,500, because the hog operation is limited to \$2,500.**

Q Why is the payment limitation only \$2,500 and why is it different than other payment limitations applicable on other programs?

A **This is not a person or entity determined payment limitation. This is a hog operation payment limitation and total funds are limited to \$50 million.**

Q Are ledger contracts considered to be a fixed price contract?

A **No.**

Q Are matrix or window contracts eligible for SHOP?

A **Matrix contracts are about the same as ledger contracts so hogs marketed under this type of contract are eligible for SHOP.**

**Window contracts have a price formula that either establishes price by the futures or some other source. Therefore any hogs marketed under this type of contract are eligible for SHOP and are not considered a fixed-price or cost-plus contract.**

Q If a hog operation markets 900 hogs, 500 of those hogs were marketed under a fixed-price contract and 400 were sold on a negotiated cash sale, or on a contract that is not a fixed-price or cost-plus contract, is the hog operation eligible for the 400 not under the fixed-price contract?

A **Yes, as long as all other eligibility criteria are met.**

Q If a hog operation does not have a facility and uses a neighbors facility or hog pens, is the hog operation eligible as an individual hog operation or is this a joint hog operation?

A **The hog operation is eligible as an individual hog operation as long as the owner of the facility does not market hogs combined with the individual hog operation. If the hogs are combined, the hog operation becomes a joint operation and both persons must apply under one application.**

Q Are minors involved in 4-H and FHA projects eligible for SHOP?

A **Yes. The minor can either be an individual or a joint producer on a hog operation with the minor's father or guardian. All rules applicable to minor remain the same.**

Q If the minor is raising hogs for 4-H and neither the minor or guardian have farming facilities, but the minor keeps the hogs at a neighbors, is the minor eligible for SHOP?

A **Yes, as long as the minor is still in the business of producing or marketing agricultural products. If the minor's 4-H project has ended and the minor has no intention of raising hogs again, the minor is not eligible for SHOP because the minor is no longer engaged in the business of producing and marketing agricultural product.**

Q If a producer was guaranteed delivery by December 31, 1998 but the slaughter house would not accept delivery until January, 1999, is this considered marketed in December, 1998?

A **No. Marketed means sold commercially and delivered.**

Q If a person has interests in 4 hog operations where the wife markets the hogs on one operation, the person markets the hogs as an individual hog operation on two operations and the person is a member of a Corporation on the 4th hog operation, how many SHOP applications are there?

A **Three. The wife's hog operation for the wife, the two hog operations marketed as an individual hog operation, and the Corporation hog operation.**

Q Can SHOP benefits be paid on the same pigs more than once? For example, Hog operation A sells feeder pigs to Hog Operation B and Hog Operation B feeds the feeder pigs and sells the hogs for slaughter.

A **Yes. Hog Operation A receives SHOP for the feeder pigs sold and Hog Operation B receives SHOP for the hogs sold for slaughter.**

Q If there are less than 20 applications in a county, how many applications are required to be spotchecked?

A **Additional instructions will be issued on this subject.**

Q Notice LD-478 does not indicate a weight limit for feeder pigs. Is this correct?

A **Yes. This is a change from the information provided on the conference calls held on January 26 and 27. The 50 pounds and under weight limit was removed for feeder pigs. Do not apply a weight limit to any feeder pigs certified by the hog operation.**

Q Notice LD-478 refers to Handbook 58-FI for offsets but the regulations do not refer to offsets. Are offsets applicable to SHOP?

A **No. This is a change from the information provided on the conference calls held on January 26 and 27, and a change in Notice LD-478. The regulations was updated after Notice LD-478 was issued.**

Q If a hog operation was marketing hogs as a partnership in December of 1998 and the partnership dissolved into individual hog operations by individual persons, are the individual persons eligible for SHOP?

A **No. Only the hog operation that was marketing the hogs is eligible. The partnership is no longer in the business of marketing and producing agricultural products.**

- Q If a hog operation was marketing hogs as a joint operation in December of 1998 and the individuals no longer operate as a joint venture, are the individual hog operations eligible for SHOP.
- A **No. The hog operation that marketed the hogs was a joint operation and is no longer in the business of marketing and producing agricultural products.**
- Q If a hog operation is no longer in business but the farm is enrolled in CRP, is the hog operation eligible for SHOP for the hogs marketed during the marketing period?
- A **Yes. CRP land can be approved for emergency haying or grazing and the farm is considered to still be in the business of marketing and producing an agricultural product.**
- Q If two or more persons market hogs in their name only but use the same hog facility, is this considered a joint hog operation?
- A **Yes. In this case, the County Offices should stress that only one application is required for a hog operation and if more than one person markets hogs from one facility, the hog operation is considered to be a joint operation and all persons must indicate the number of feeder pigs or slaughter hogs on one application as applicable.**